

[REDACTED]  
[REDACTED]  
[REDACTED]  
JAN 30 1995

**CERTIFIED MAIL**

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code and have determined that you do not qualify for exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The purpose of your organization is to provide low cost flying privileges to members and to spread the huge upfront costs and risks associated with owning and operating an aircraft among members.

Its activities consist of offering low cost flying privileges to members and also providing high quality, low cost flight training for those club members who require such training. No other activities are presently engaged in or contemplated.

Your income is derived from membership dues, rental and instruction fees, also assessments to cover the cost of insurance, tie downs, engine rebuilds, and other necessary maintenance.

The location of the first aircraft, a [REDACTED], will be at [REDACTED] in [REDACTED].

[REDACTED] is the President, Director of the Board and holder of all officer positions.

Section 501(c)(7) of the Internal Revenue Code provides for exemption for clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes, and no part of the net earnings of which inures to the benefit of any private shareholder.

Revenue Ruling 70-32 published in Cumulative Bulletin 1970-1, on pp 132 and 133 concerns a flying club providing economical flying facilities for its members but having no organized social and recreation program. The club was organized to own and operate aircraft suitable for business or personal use by its members to improve their flying abilities, and, through the ownership, operation, and maintenance of flying equipment, to provide economical flying facilities for its members.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]	[REDACTED]	[REDACTED]				
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	1/24/95	1/24/95	1/24/95				

Page 2.

In order for a club to meet the requirements for exemption under section 501(c)(7) of the Code there must be an established membership of individuals, personal contacts, and fellowship. Furthermore, a commingling of members must play a material part in the activities of the organization. See Revenue Ruling 58-589, CB 1958-2, 266 and Revenue Ruling 69-635, CB 1969-2, 126.

It was held therefore that the club described above did not qualify for exemption from Federal income tax under section 501(c)(7) of the Code because the sole activity of the club was rendering flying services to its members and there was no significant commingling of its members.

Revenue Ruling 67-428 published in Cumulative Bulletin 1967-2, on page 204, concerns an organization formed for the purpose of governing and developing an amateur sport in the United States. Its members are clubs devoted to the pursuit of the sport; it has no individual members. Delegates appointed by the member clubs meet periodically to conduct the affairs of the association.

This revenue ruling further provides that "although fellowship need not be present between each member and every other member of the club, it must constitute a material part of the organization's activities." In this respect, statewide organizations made up of individuals but broke up into local groups satisfy the requirement of 501(c)(7), if fellowship constitutes a material part of the organization's activities. This ruling states that fellowship between members cannot play a material part in the activities of an organization which is composed of artificial entities.

Our review of the information submitted in your application indicates that you do not meet the criteria to be exempt under this section. Your activities, as described, indicate that you are organized like the flying club described in Revenue Ruling 70-32. Like the organization discussed in this revenue ruling, you have also not demonstrated that regular social contact and fellowship constitute a material part of your organization's activities.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(7) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date.

[REDACTED]  
Page 3.

The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,  
[REDACTED]  
[REDACTED]

District Director

Enclosure: Publication 892